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# Economic Intelligence Weekly

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Recent Data Concerning Domestic and External  
Economic Activity

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Note: Comments and queries regarding this publication are welcomed.

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**SECRET****ECONOMIC INTELLIGENCE WEEKLY****Notes****US Firm Likely to Build Yugoslav Nuclear Plant**

Yugoslav Vice President Ribicic recently told the American ambassador that the decision on awarding the contract for the \$120 million to \$130 million Krsko nuclear power project would be favorable to the United States. Westinghouse, General Electric, and a West German firm have submitted bids to equip and supervise construction of the plant. Westinghouse is the odds-on choice to receive the bid. [REDACTED]

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**Cuban Sugar Harvest**

The current Cuban sugar harvest is expected to reach 5.5 million to 6.0 million tons - about the 1968-72 average. The improvement over last year's 5.3 million tons will come largely from expanded acreage and higher yields from earlier maturing cane plantings. Cuba's improved prospects, combined with those for Brazil and the USSR, point to downward pressure next year on the free market price, presently at 10.2 cents per pound. [REDACTED]

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**INTERSPUTNIK Establishes Cuban Link**

A satellite earth station under construction at Jaruco (near Havana) received live television broadcasts from Moscow early this month. The station, scheduled for completion in early 1974, will be able to receive and transmit television, voice, and data communications. It is the first Soviet model two-way earth station to be built outside the USSR as part of INTERSPUTNIK, the international communications satellite organization consisting of the USSR, Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, and Romania. Other members of INTERSPUTNIK are expected to build similar stations in the next several years. [REDACTED]

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**International Monetary Developments**

The dollar showed little net change on major foreign exchange markets in the last week after the extraordinary gains made in early November. Profit taking, a flurry of speculation related to the revaluation of the Norwegian crown, and the Arab announcement that December oil cuts would not be applied to friendly European nations all contributed to a slight easing after the 12 November high point. Because of its underlying strength, the dollar reestablished its position later in the week. [REDACTED]

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**SECRET****Latin American Foreign Ministers' Meeting**

The meeting in Bogota last week approved an agenda heavily weighted with economic matters for an expected meeting in Mexico early next year with Secretary Kissinger. The agenda includes requests for free access to the US market under a system of general preferences, discussion of controls on multinational enterprises, and greater access to US technology. The Peruvian foreign minister had proposed including a discussion of the restrictions created by the Hickenlooper Amendment to the US Foreign Assistance Act, but the ministers reduced the topic to a call for "a mechanism against the proposal, adoption, or application of coercive measures of an economic nature."

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**Burma Solicits Bids for Offshore Oil Drilling**

The government's Myanma Oil Corporation has invited 19 foreign firms to participate by 8 December in the final bidding for offshore oil concessions. Participants apparently include 14 US firms and 5 consortiums representing interests in Australia, Singapore, West Germany, the United Kingdom, and Japan. Contracts will be awarded to seven of the contenders in January.

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**Chinese-Swiss Air Agreement**

A civil air agreement signed on 12 November provides for Swiss air access to Shanghai and Peking and Chinese access to Geneva and Zurich. The Chinese are likely to begin service next spring or summer with their Boeing 707s. Swiss Air is unlikely to begin service to China before 1975.

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**China Begins First Use of Container Service**

China's first delivery of containerized cargo is scheduled to arrive in Japan in late November. Full-scale operations are planned between Japan and China in 1974. Although this trade initially will be small, China has expressed interest in establishing larger container operations in conjunction with US and Japanese shipping firms.

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**SECRET****Articles****THE ARABS SHARPEN THEIR OIL WEAPON**

The Arab oil producers, led by Saudi Arabia and Kuwait, are refining the use of their oil weapon. The Organization of Arab Petroleum Exporting Countries (OAPEC) announced on 18 November that the EC would be exempt from December's 5% production cutback as a reward for the recent EC resolution supporting the Arab position. OAPEC's action could also have been intended to put additional pressure on the Japanese, who may get a deeper cut than previously planned, to take more of a pro-Arab position. Moreover, Saudi Minister of Petroleum Yamani has indicated that Western Europe might be exempted from the January cutbacks if it displays a fair attitude toward the Arabs.

Of the nine EC members, only six will be affected by the OAPEC action. The United Kingdom and France already are on the Arabs' list of favored countries and thus exempt from cutbacks; the Netherlands is still embargoed. It is not clear how the Arabs will implement the one-month exemption. Apparently, OAPEC has two choices: either raise production above the December plan by the amount necessary to maintain exports to the EC at the November level, or reduce the amount of oil available to others, such as Japan, to compensate for the increased exports to the EC. If Arab output is cut 5% in December, maintaining deliveries to the six remaining EC members at the November level will require a shift of 180,000 b/d from other recipients. About one-half of the shift will be from exports previously scheduled for Japan, making its December imports of Arab oil about 2% smaller than otherwise.

As the cuts continue, Arab attempts to fine tune the oil weapon will become more difficult, because the different Arab producers are not in complete agreement on how the weapon should be used.

- Saudi Arabia and Kuwait apparently feel that neutral consumers should feel the cutback, whereas Iraq, Libya, and Algeria argue that neutrals should not suffer.
- Abu Dhabi reportedly has put Japan on its list of friendly countries.
- Kuwait has hinted that the United Kingdom is on its list of enemy countries because of the Balfour Declaration during World War I.

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- Libya reportedly is making up its own list of friends on the basis of which countries are willing to supply it with modern arms.

Nevertheless, because Saudi Arabia produces more than 40% of Arab oil, decisions made by this country alone will have substantial effects on consumers, even if the other producers do not cooperate fully.

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### **WORLDWIDE GRAIN DEVELOPMENTS**

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#### ***Sri Lanka***

Sri Lanka's food production drive is threatened by the worldwide fertilizer shortage. It has been unable to obtain the 40,000 tons of nitrogenous fertilizer urgently needed in the next few weeks for its major rice planting season. The government is asking Peking for 20,000 of the 600,000 tons of ammonium sulphate that China expects to receive from Japan.

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#### ***Africa***

Emergency grain needs will remain large during 1974 in the drought-stricken states south of the Sahara. Senegal, Chad, Mali, Mauritania, Niger, and Upper Volta, which are largely self-sufficient in grains, with normal rainfall, will require more than 600,000 tons. Foreign contributions of grain to the six countries since the fall of 1972 exceed 720,000 tons, about one-third of which came from the United States.

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#### ***USSR***

Poor weather in the USSR threatens next year's crop of winter grains. Although the seeding plan was overfulfilled, rain delayed seeding in the

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north, and low temperatures in some areas curtailed growth of the plants. In late October, US agricultural attaches reported poor grain development in the southern Ukraine and North Caucasus apparently as a result of deficit soil moisture. These conditions will make the plants more vulnerable to cold.

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*East Germany*

Because East European supplies of feed were larger than expected, East Germany resold to the original US exporter -- at a profit -- approximately 200,000 tons of corn last month. The corn was part of the unshipped balance from an East German purchase last summer.

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### THE CEAUSESCU VISIT

Romanian President Nicolae Ceausescu's visit to the United States during 4-10 December will focus on expanding economic relations. Ceausescu will seek assurance of eventual MFN status, more Export-Import Bank credits, and new export outlets in the United States. He will also meet with representatives of US firms that are doing business in Romania.

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US-Romanian trade is booming in 1973. The 1972 turnover of \$100 million was surpassed in August, reflecting relaxed US credit policies. The largest contracts this year have been for a \$35 million tire plant and \$45 million in Boeing aircraft. In addition, the first US-Romanian joint equity venture was agreed to in April. Negotiations currently pending include:

- A \$100 million sale of US helicopters
- A \$52 million investment in US coal production in return for assured deliveries of coking coal
- A number of cooperative ventures to produce machine tools, diesel engines, and petrochemicals

Conclusion of these deals would keep trade growing rapidly through 1974.

Under Ceausescu, Romania has achieved Eastern Europe's highest economic growth rate, won the most independence from Moscow, and become the most dependent on Western technology. Romania's hard currency debt is now more than \$1.2 billion, presenting Ceausescu with a serious debt-servicing problem. Without sharply increased hard currency earnings, severe cutbacks in hard currency imports, or substantial long-term credits, Romania will need sizable debt rescheduling by 1975. If this proves necessary, Ceausescu probably will look first to his largest creditor (West Germany), not his newest (the United States). For the time being, Romania views the United States as a largely untapped source of credit and high level technology.

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**CHILE'S AUSTERITY PROGRAM IS CAUSING PROBLEMS**

Nearly two months of austerity under the junta is causing dissatisfaction among the poor, who are being particularly hard hit. Chile's cost of living jumped by 88% in October, pushing the increase to about 450% for the first 10 months of the year. By the end of the year, inflation is expected to exceed 600%.

The rise in administered food prices to near free market levels is a principal element in the increase of the cost of living. Although most prices have doubled or tripled since September, prices of many foods have increased by roughly 1,000%. The rises were intended to stimulate food production and to end the black market in food that flourished under the Allende regime when food prices were kept artificially low. Although

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effectively ending the black market, price rises are creating windfall profits for many producers. It will take several months for domestic production to respond to the new price levels.

Food price increases have weighed particularly heavily on the urban poor. The price of food is now approaching a level that precludes a worker on an average income from adequately feeding a family of six even if he were to spend his entire income on food. The recent increase in the minimum wage has not alleviated the problem significantly because of delays and lax enforcement, and rising unemployment among the poor is aggravating their plight.

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## DOMESTIC ECONOMIC INDICATORS

## GNP\*

Constant Market Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Quarter	from Previous Quarter	1970	1 Year Earlier	Previous Quarter
United States	73 III	0.9	5.0	5.7	3.7
Japan	73 II	1.4	9.1	13.0	5.9
West Germany	73 II	-2.3	3.8	6.2	-8.8
France	73 II	0.7	6.2	8.7	2.9
United Kingdom	73 II	0.7	4.6	9.5	2.7
Italy	73 I	0.8	3.1	5.2	3.4
Canada	73 II	0.9	6.1	6.8	3.7

## WHOLESALE PRICES

Industrial

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 73	1.2	5.1	9.1	8.8
Japan	Oct 73	2.0	6.1	20.3	26.3
West Germany	Sep 73	-0.1	4.7	6.6	1.0
France	Aug 73	1.0	7.1	16.2	20.5
United Kingdom	Oct 73	1.7	7.8	9.1	18.4
Italy	Sep 73	0.5	8.3	18.6	17.5
Canada	Sep 73	3.7	10.0	24.6	45.0

## INDUSTRIAL PRODUCTION\*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	Oct 73	0.5	6.0	9.3	9.5
Japan	Sep 73	0.4	8.9	16.9	6.8
West Germany	Aug 73	5.9	4.0	8.5	-5.9
France	Aug 73	0	7.7	10.4	8.9
United Kingdom	Aug 73	0.7	3.7	8.2	n
Italy	Sep 73	4.4	4.9	19.5	25.6
Canada	Sep 73	1.8	6.0	8.3	-3.4

## CONSUMER PRICES

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Sep 73	0.3	4.9	7.4	9.7
Japan	Sep 73	2.9	8.2	14.6	19.5
West Germany	Sep 73	0.3	5.8	9.4	0.8
France	Sep 73	0.9	6.4	.9	9.7
United Kingdom	Sep 73	0.9	8.4	3.3	6.6
Italy	Aug 73	0.6	7.2	11.7	8.5
Canada	Sep 73	0.6	5.5	8.5	11.7

## RETAIL SALES\*

Current Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	Oct 73	2.1	11.5	10.9	8.7
Japan	Jun 73	2.1	12.5	22.6	14.3
West Germany	Aug 73	4.2	9.0	4.2	1.2
France	Jun 73	3.4	6.4	7.2	5.5
United Kingdom	Aug 73	0.7	11.1	12.1	14.8
Italy	May 73	2.3	11.3	20.4	22.3
Canada	Sep 73	-0.3	10.6	13.6	5.8

## MONEY SUPPLY\*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	Oct 73	0.4	7.1	5.0	1.9
Japan	Aug 73	1.0	17.8	28.3	5.7
West Germany	Aug 73	-2.4	8.5	1.7	-12.7
France	Apr 73	2.6	13.3	14.1	2.6
United Kingdom	Sep 73	-2.1	10.6	8.5	9.9
Italy	Apr 73	2.8	20.4	19.1	13.7
Canada	Sep 73	0	13.5	14.4	13.0

## MONEY-MARKET RATES

		Percent Rate of Interest				
Representative Rates		Latest Date	1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	16 Nov	8.25	5.13	8.75	7.75
Japan	Call money	9 Nov	8.75	4.50	7.50	8.75
West Germany	Interbank loans (3 Months)	16 Nov	14.88	8.12	14.50	14.38
France	Call money	16 Nov	10.88	8.38	9.38	11.00
United Kingdom	Local authority deposits	9 Nov	12.19	4.74	12.75	14.44
Canada	Finance paper	16 Nov	9.00	5.13	8.00	9.00
Euro-Dollars	Three-month deposits	16 Nov	9.75	8.06	11.22	9.75

\*Seasonally adjusted.  
 \*\*Average for latest 3 months compared with average for previous 3 months.

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## EXTERNAL ECONOMIC INDICATORS

### EXPORTS\*

f.o.b.

		Latest Month		Cumulative	
		Million US \$	1973	1972	Percent Change
United States	Sep 73	0.448	50,610	35,869	41.1
Japan	Oct 73	3.223	28,969	22,615	28.1
West Germany	Sep 73	0.268	48,868	34,034	43.8
France	Oct 73	3.378	30,120	21,589	39.5
United Kingdom	Oct 73	2.459	23,687	18,904	25.3
Italy	Aug 73	1.890	13,489	11,899	13.4
Canada	Aug 73	1.854	15,807	12,917	22.8

### EXPORT PRICES

US\$

US\$

		Percent Change		Average Annual Growth Rate Since	
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Sep 73	-0.9	7.9	20.0	22.8
Japan	Aug 73	2.9	13.0	24.8	38.3
West Germany	Aug 73	-2.7	15.6	32.3	70.2
France	Jun 73	9.2	15.5	33.7	51.5
United Kingdom	Sep 73	-1.8	9.8	12.8	-8.1
Italy	Jun 73	2.9	9.2	12.9	22.1
Canada	Jul 73	2.7	6.2	13.1	12.0

### IMPORTS\*

f.o.b.

		Latest Month		Cumulative	
		Million US \$	1973	1972	Percent Change
United States	Sep 73	5.575	50,458	40,879	24.0
Japan	Oct 73	3.081	25,312	15,251	66.0
West Germany	Sep 73	4.435	37,245	27,805	33.9
France	Oct 73	3.417	29,108	20,824	41.1
United Kingdom	Oct 73	3.185	27,615	20,228	38.5
Italy	Aug 73	2.317	15,074	10,996	37.1
Canada	Aug 73	1.914	14,890	12,203	22.0

### EXPORT PRICES

National Currency

National Currency		Average Annual Growth Rate Since			
		Percent Change			
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Sep 73	-0.9	7.9	20.0	22.8
Japan	Aug 73	3.1	2.8	9.9	39.5
West Germany	Aug 73	-1.9	0.9	-0.8	-4.4
France	Jun 73	3.8	5.6	13.1	14.6
United Kingdom	Sep 73	0.5	9.1	12.8	15.5
Italy	Jun 73	2.5	6.6	13.1	26.9
Canada	Jul 73	2.8	5.1	14.0	11.8

### TRADE BALANCE\*

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		Latest Month		Cumulative (Million US \$)	
		Million US \$	1973	1972	Change
United States	Sep 73	873	154	-4,810	4,984
Japan	Oct 73	161	3,658	7,384	-3,707
West Germany	Sep 73	1,832	11,624	6,228	5,396
France	Oct 73	-38	1,014	975	39
United Kingdom	Oct 73	-727	-3,928	-1,324	-2,604
Italy	Aug 73	-477	-1,584	903	-2,488
Canada	Aug 73	-60	917	714	204

### IMPORT PRICES

National Currency

National Currency	Percent Change		Average Annual Growth Rate Since		
	Latest Month	from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Sep 73	-0.8	10.0	18.7	12.7
Japan	Aug 73	3.4	2.7	14.7	29.0
West Germany	Aug 73	1.1	-0.2	2.6	-9.1
France	Jun 73	0.6	3.1	5.6	7.3
United Kingdom	Sep 73	5.5	14.8	41.5	65.2
Italy	Jun 73	4.6	10.8	24.8	54.4
Canada	Jul 73	1.5	5.2	11.6	17.5

### BASIC BALANCE\*\*

Current and Long-Term-Capital Transactions

		Latest Period		Cumulative (Million US \$)	
		Million US \$	1973	1972	Change
United States*	73 II	-800	-1,700	-5,700	4,000
Japan	Aug 73	-770	-5,926	1,257	-7,183
West Germany	Jul 73	136	1,805	3,593	-1,988
France	73 II	17	-559	-202	-357
United Kingdom	73 II	-261	-1,348	-630	-717
Italy	72 IV	800	N.A.	2,983	N.A.
Canada	73 I	-272	-272	-117	-155

### EXCHANGE RATES

Spot Rate

As of 16 Nov 73		Percent Change from				
		US \$		18 Dec 1971	19 Mar 1973	9 Nov 1973
		Per Unit	Dec 68			
Japan (Yen)		0.0036	29.43	9.98	-6.10	-1.79
West Germany	(Deutsche Mark)	0.3856	53.38	24.27	8.90	-0.75
France (Franc)		0.2259	11.89	14.73	2.50	-1.35
United Kingdom	(Pound Sterling)	2.3860	-14.50	-8.43	-3.05	-0.60
Italy (Lira)		0.0017	5.75	-1.57	-4.35	-0.94
Canada (Dollar)		1.0060	9.06	0.82	0.83	0.40

### OFFICIAL RESERVES

		Billion US \$			
		Latest Month	1970	1 Year Earlier	3 Months Earlier
United States	End of Sep 73	14.0	16.3	13.2	14.0
Japan	Oct 73	14.0	4.1	17.8	15.2
West Germany	Aug 73	37.9	8.8	24.6	32.2
France	Sep 73	9.9	4.4	10.0	10.2
United Kingdom	Oct 73	6.8	2.8	5.9	6.6
Italy	Sep 73	6.5	4.7	6.4	6.0
Canada	Oct 73	5.8	4.3	6.2	5.8

### TRADE-WEIGHTED EXCHANGE RATES\*\*\*

		Percent Change from			
		Dec 68	18 Dec 1971	19 Mar 1973	9 Nov 1973
United States		-16.62	-7.22	-3.52	0.56
Japan		18.10	4.30	-7.63	-1.86
West Germany		28.43	11.59	6.60	0.32
France		-11.29	1.89	-0.55	-0.37
United Kingdom		-34.33	-20.20	-5.83	-0.06
Italy		-16.54	-15.36	-8.54	-0.95
Canada		5.87	-0.70	0.94	0.60

\*Seasonally adjusted

\*\*Converted into US dollars at current market rates of exchange

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\*\*\*Weighting is based on each listed country's trade with 18 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.